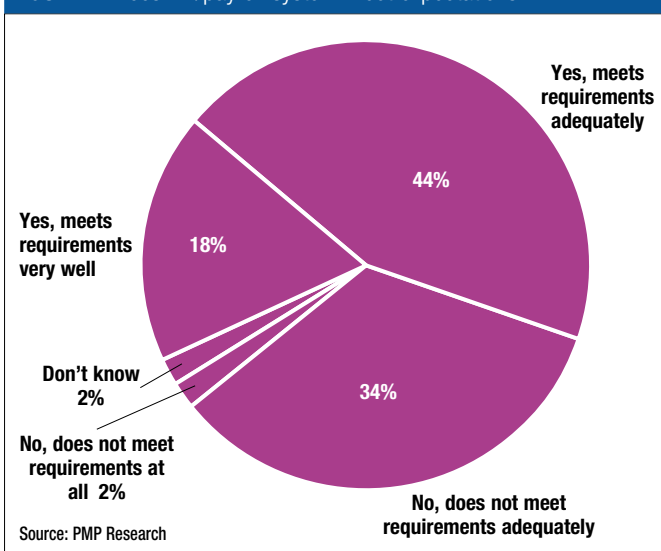


UNHAPPY HR LOOKS TO INTEGRATE BETTER

HR professionals still have work to do to make their IT systems link effectively with the rest of the organisation, says Pat Sweet, reporting on our latest survey results.

The big challenge for HR professionals is to find ways to minimise the amount of time they spend on administrative activities while maximising their opportunities to provide strategic input into the company's future direction. If successful, they can then go on to adopt new management concepts – such as the current trend to see employees as an asset to nurture rather than a cost to control. But that's a big 'if', as this year's PMP Research survey shows. Most organisations feel they have some way to go with their HR and payroll systems – just 18% of those polled believe their existing applications meet their current requirements 'very well'. And while 44% concede that their current systems meet their requirements 'adequately', a third (34%) deny this is the case and 2% maintain their systems do not meet requirements at all (see Figure 1).

FIGURE 1: Does HR/payroll system meet expectations?

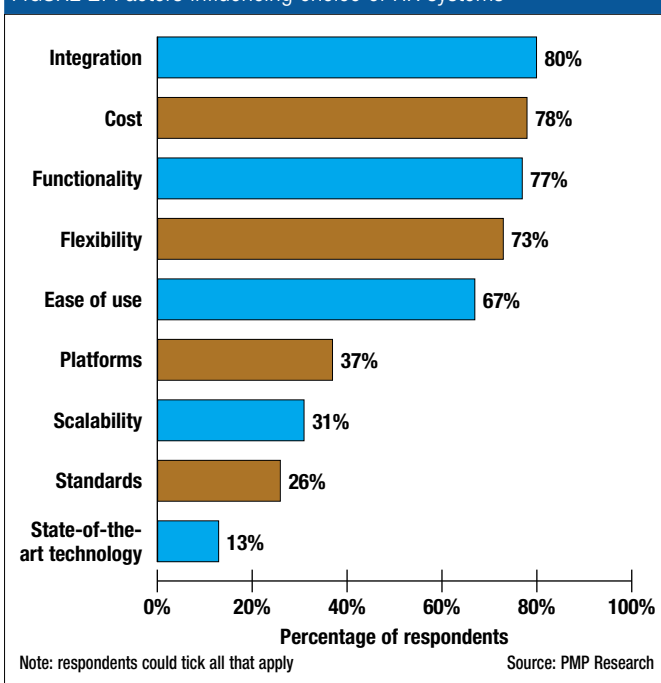


With such high levels of dissatisfaction, it is not surprising that many HR departments plan to make changes. The most popular option is to upgrade their existing systems, chosen by 65%. In comparison, only half that proportion (34%) plan to replace their current systems with completely new software.

In a third of cases (34%) the primary aim of an upgrade is to unlock existing functionality which is not being used. Companies are also keen to improve integration between HR applications and other key operational systems, a process which will cut duplication of data input (26%).

Overall, integration emerges as a key concern for many companies. As Figure 2 shows, 80% of the respondents rate this as a very significant factor in their choice of systems, along with concerns like cost (78%), functionality (77%), flexibility (73%) and ease of use (67%).

FIGURE 2: Factors influencing choice of HR systems

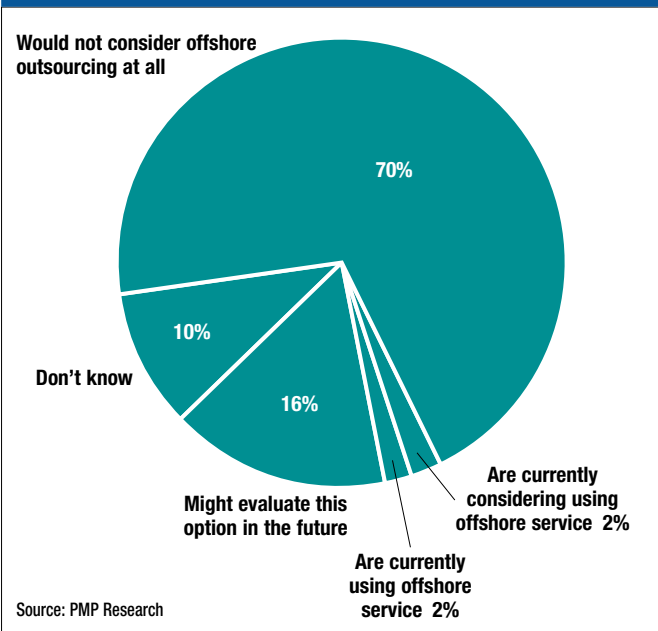


Perhaps reflecting their experiences over the years, few organisations are interested in buying the latest state-of-the-art technology when they invest in new applications (13%). Nor are they particularly worried about scalability (31%) or platforms (37%).

Looking in more depth at what drives investment decisions, this trend becomes very stark. Nearly all of our sample (93%) feel that integration is a more important factor in their buying strategy than in the past, whereas just 5% reckon it is less important.

In comparison, only one in five (20%) say that having state-of-the-art technology is a critical issue, against 61% who maintain this is now less important than before. As to where the cash is likely to go, two-thirds (69%) say their primary investment area will be internet-enabling HR activities and processes. Plans to

FIGURE 3: Views on offshoring of HR/payroll IT functions



add online facilities to existing applications are more common than wholesale replacement of either HR administration (48%) or payroll systems (26%).

So rather than starting again with a clean sheet, companies are more likely to add extra facilities to their existing HR operations, an option selected by half (54%) of our sample. Specific areas of interest include recruitment software (20%), workforce management solutions (20%), learning management packages (18%) and succession planning software (10%), all of which enhance the HR department's strategic capability.

Outsourcing

There has been much discussion in recent years about the virtues of outsourcing HR IT systems – that is, handing over hardware and software for a third party to operate and maintain.

Despite the hype, just 3% of the respondents currently outsource all their HR IT functions, while a further 31% have some of their applications run by a third party. Against that, half (50%) do not currently outsource any of their HR IT systems, and have no plans to do so in the future. Another 13% say that they may consider outsourcing at some point, though not at present.

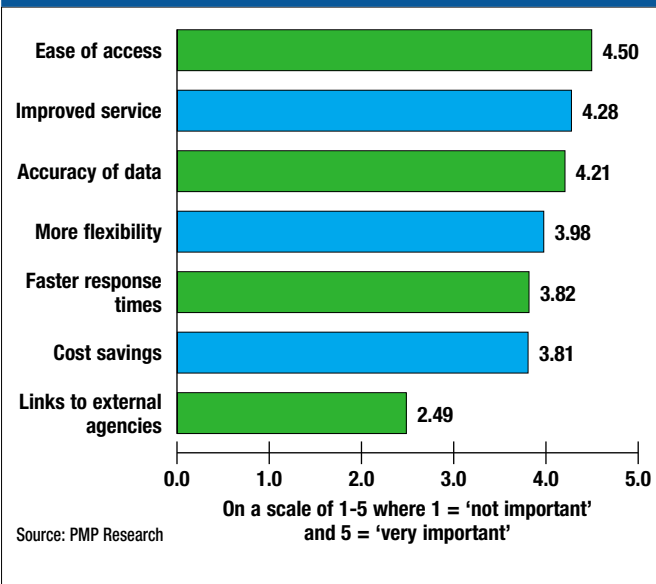
There is an even stronger rejection of the idea of using offshore-based outsourcing, where IT services are located in another, lower-cost country such as India or China. This receives a resounding thumbs down from our sample, with 70% rejecting this solution outright (see Figure 3). Only 2% currently use an offshore HR IT provider, with the same proportion looking at this possibility and a further 16% suggesting they may evaluate this option in the future. Two-thirds of those polled (64%) say the main reason for outsourcing is the opportunity to reduce the cost of HR systems, while around half (47%) think it offers HR freedom to focus on more strategic issues, rather than purely operational concerns. Yet many would agree with the individual who describes outsourcing as the opportunity to “abdicate responsibility for HR”. Seen in this light, moving control of HR systems outside the company is a step too far for many.

Instead, a number of organisations are choosing to move HR applications much closer to end users, so the HR department is no longer viewed as an ivory tower where personnel secrets are kept locked away. The most common way of doing this is via the internet – 55% of the sample believe the internet has improved communication with employees, and 50% think it has eased access to and deployment of corporate information.

In half (54%) of the companies, 75-100% of employees can access the web from their desktop. Nor is this a privilege reserved for conventional office workers, since 51% provide access via internet kiosks or mobile devices for those who do not have a PC at their place of work. Even more significantly, 90% of respondents have a company portal or intranet which employees can use to access corporate and HR information. In most cases (88%), this material is likely to be internal company news, such as changes in HR policies and procedures.

We asked our respondents to assess the potential benefits of developing internet-based HR applications, using a scale of 1 to 5 where 1 indicates ‘not important’ and 5 is ‘very important’ (see Figure 4, next page). The aggregated results show that ease of access (4.50) and improved service (4.28) top the list of expected outcomes, along with greater data accuracy (4.21) and more flexibility (3.98). All of these are placed well ahead of any anticipated cost savings (3.81).

FIGURE 4: Benefits of internet-based HR applications



Significantly, the ability to link to external agencies comes bottom of the poll (2.49). Although companies can, in theory, use online connections to exchange data with recruitment agencies, in practice their focus is much more on improving the internal performance of the HR department.

“Employees feel more empowered about their own information and there is a better feeling that the company is taking care of its employees”, is how one respondent sums up the situation. Another refers to “employee buy-in and transparency of applications”, while a third says “sharing of information with internal companies in many locations has shown a marked improvement”.

But while the general view is that internet-based applications produce smarter working and greater employee satisfaction, there is a downside. We asked

the respondents to identify the biggest risks in developing such applications, using the same 1 to 5 scale. The aggregated results clearly show that internet security (4.44) and data protection issues (4.23) are major worries. These loom much larger than the fear of reducing human contact in HR activities (3.33) or handling the control issues involved (3.04).

Despite these concerns about online security, companies remain keen to implement HR self-service applications. In the words of one interviewee, such an approach means “employees can view and update their own personnel record, rather than it being a file locked tightly away in a vault that only the very privileged people are able to see”. So far, around a third (30%) of companies have adopted self-service applications, while half (46%) plan to do so in the future.

Using the 1 to 5 scale, we asked our sample to rank the benefits of a self-service approach. Empowerment of the individual (4.34) emerges as the key outcome, along with greater data accuracy (4.14). Both of these are advantages for the employee as much as the HR department, with corporate goals such as easy ways to introduce new HR policies (3.46) and cost reductions (3.18) viewed as less significant.

The respondent who believes such an approach can alienate employees – by arousing suspicion that management is trying to use IT to impose more control – is very much in a minority, although the survey findings contain strong hints that HR management may find self-service more of a threat. We asked our sample to assess the potential barriers to

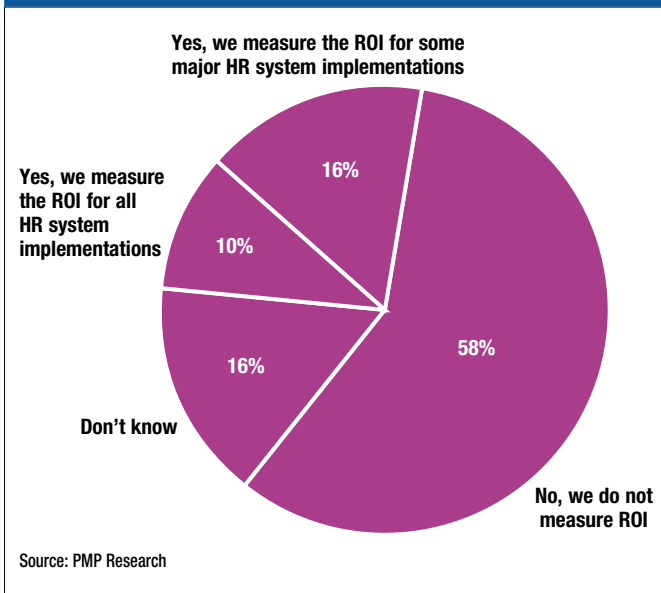
SURVEY STATISTICS

We spoke to a broad spectrum of organisations for this year’s survey into trends and attitudes within HR and payroll applications. They include some of the biggest companies, with 11% of our sample posting turnovers of more than £1 billion annually and 8% topping the £5 billion mark.

The bulk of our respondents (41%) fall into the £150 million to £1 billion bracket, but we also took the views of smaller companies into consideration. One in five (20%) have turnovers of between £10 million and £50 million, and 13% are in the £50 million to £100 million range.

The industry backgrounds of our respondents are equally varied, with 13% drawn from manufacturing, 10% in financial services and 8% in education. We also spoke to organisations in the public sector, at both a local and national level, as well as representatives from the chemical and pharmaceutical, construction, distribution and transport industries, amongst others.

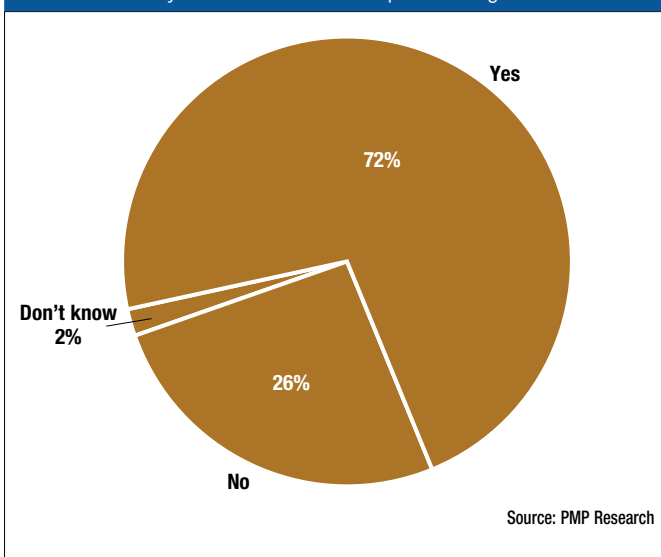
FIGURE 5: Do you measure ROI on HR system spending?



implementing self-service and found that a range of issues produce much the same levels of concern – namely integration worries (3.44), cost (3.43), making a business case (3.39) and the lack of a standard system for such implementations (3.39).

However, individual replies dwell much more on the implications for the HR department of relinquishing control from a highly centralised function. One respondent goes so far as to say that “fundamentally the people who would be directly involved in developing and implementing a self-service system would be the ones most likely to lose their jobs if we were to realise any cost savings, so their support would be shaky at best”. Such comments suggest that HR departments are still struggling to make the transition from operational dogsbodies to strategic thinkers. There is also evidence that some have a long way to go before they can develop convincing reasons for new developments such as self-service.

FIGURE 6: Have you heard of human capital management?



A quarter (25%) of those polled feel that HR technology has been ‘ineffective’ at delivering ROI within their organisation. And while a third (35%) label their HR systems as ‘effective’, just 2% feel they are ‘very effective’, with the same proportion opting for ‘very ineffective’. The bulk (36%) simply do not know how HR systems are performing in this respect – which is not too surprising given that over half (58%) admit their organisation does not measure the ROI on its spending on HR systems.

Just 10% of companies routinely calculate ROI on all HR system implementations, and 16% do so for major developments (see Figure 5). This is a worry because many companies will now be considering a totally new approach to HR called human capital management

(HCM), which takes HR’s strategic input to the next level by emphasising that employees are an asset to be managed, rather than a cost to control. The majority of organisations in our survey (72%) have heard of HCM, although only 15% are actively considering implementing such an approach (see Figure 6). However, on the evidence of the survey, only the very bravest will have the ability to take on this idea and make it work successfully right now.

● Pat Sweet is the research analyst for PMP Research. If you are interested in this study, please contact Steve Markwell at PMP Research. Email: stevem@pmpresearch.co.uk.

● If you would like more information about this article or any of the products or companies mentioned in the article, please contact us at info@evaluationcentre.com.